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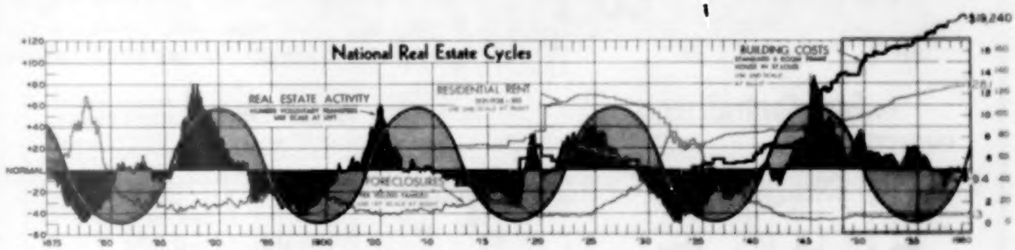
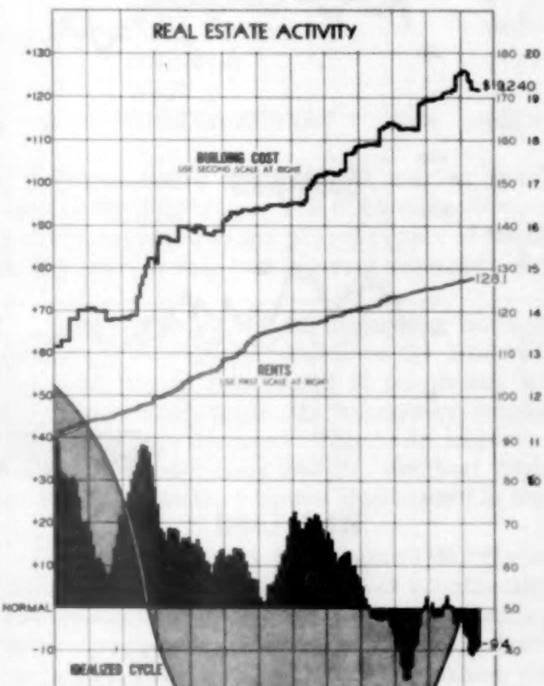
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS



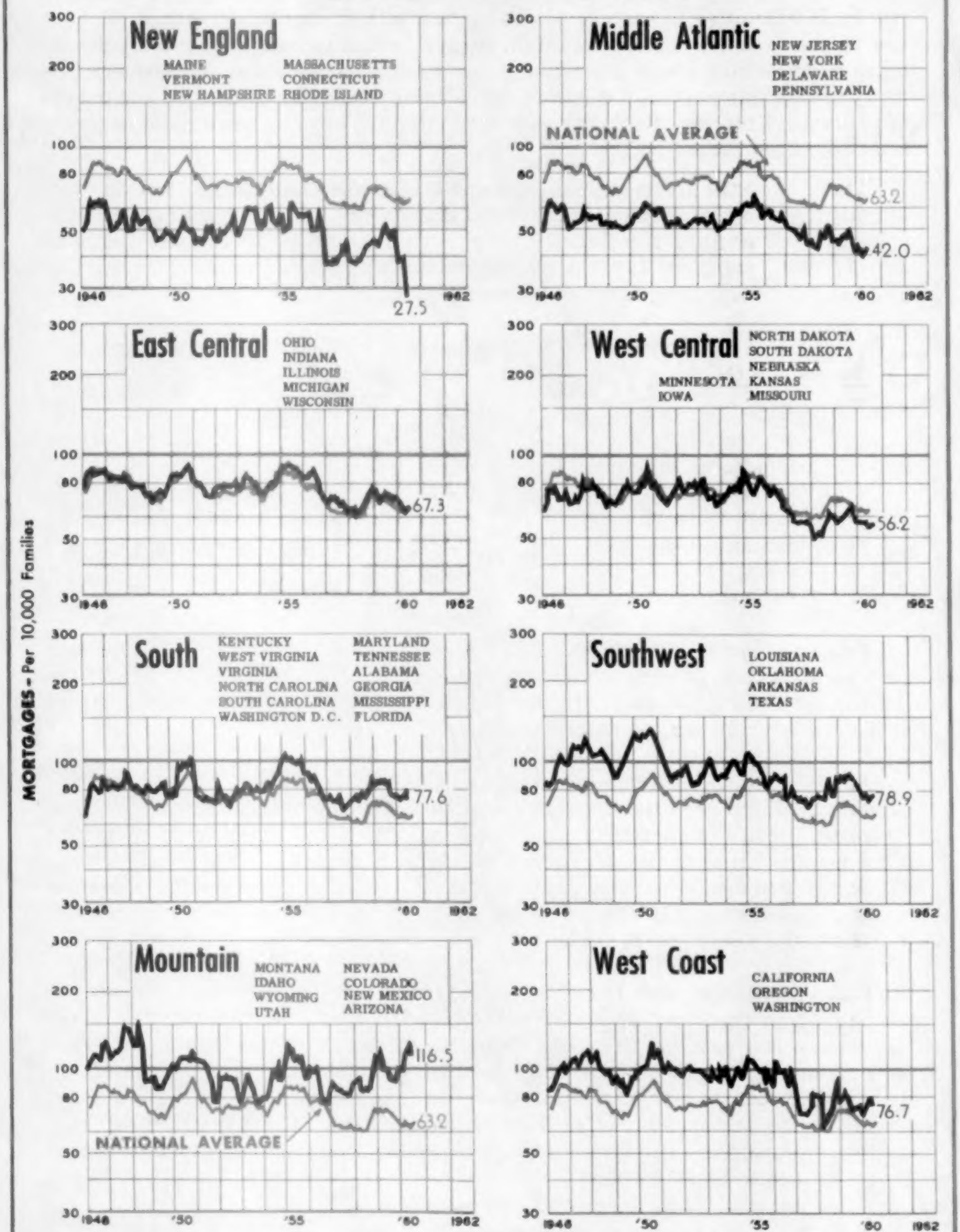


MORTGAGE MONEY IS MORE AVAILABLE

ALTHOUGH the average interest rate on recorded mortgages continued to increase, there are indications that mortgage money is more available than during the first six months of this year. This will be reflected in the recorded rate by a decrease in the currently reported 6.209 percent (page 354 of this bulletin) in about four to six months. Recorded mortgage interest rates lag actual market rates because loan commitments are frequently made four to six months in advance of their need. Also, average recorded mortgage interest rates include FHA- and VA-insured loans at their fixed interest rates without adjustment for discounts, and therefore, tend to reflect a lower than market rate during a period of tight money.

Tight money has been one of the factors dampening mortgage activi-

MORTGAGE ACTIVITY BY REGIONS



ty during 1960. The charts opposite show the number of mortgages recorded per 10,000 families in each region compared with the national average. Here it can be seen readily that the Mountain Region, which includes the rapidly developing metropolitan areas of Arizona, experienced no decrease in mortgage activity during this period of tight mortgage money. The more mature and developed areas of the New England and Middle Atlantic Regions were most severely hit by the tight money market.

There are still discounts on FHA- and VA-insured mortgages, but they are slightly less than at the beginning of the year. The Federal Housing Administration reported that secondary market prices on FHA-insured mortgages on July 1, 1960, averaged $96.7 per $100 of outstanding loan amount. During December 1959 the average net price was $96.4.

Average Net Prices for FHA-Insured 5-3/4% New-Home Mortgages
Immediate Delivery Transactions - 25-Yr. Maturity - 10% Downpayment

Zone	December 1, 1959	July 1, 1960
Northeast	$97.7	$97.9
Middle Atlantic	97.0	97.7
Southeast	96.1	96.4
North Central	96.2	96.7
Southwest	96.4	96.5
West	96.3	96.2
UNITED STATES	96.4	96.7

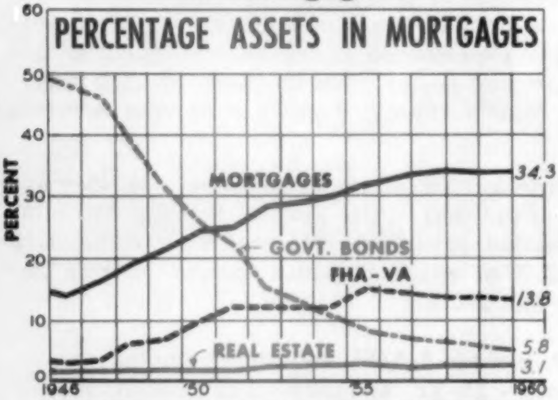
Prices below $100 reflect market interest rates above the 5-3/4 percent rate on the mortgage. The difference between the amount outstanding on the loan and the net price is the present value of the difference between interest payments at the market rate and interest payments at the fixed rate of 5-3/4 percent.

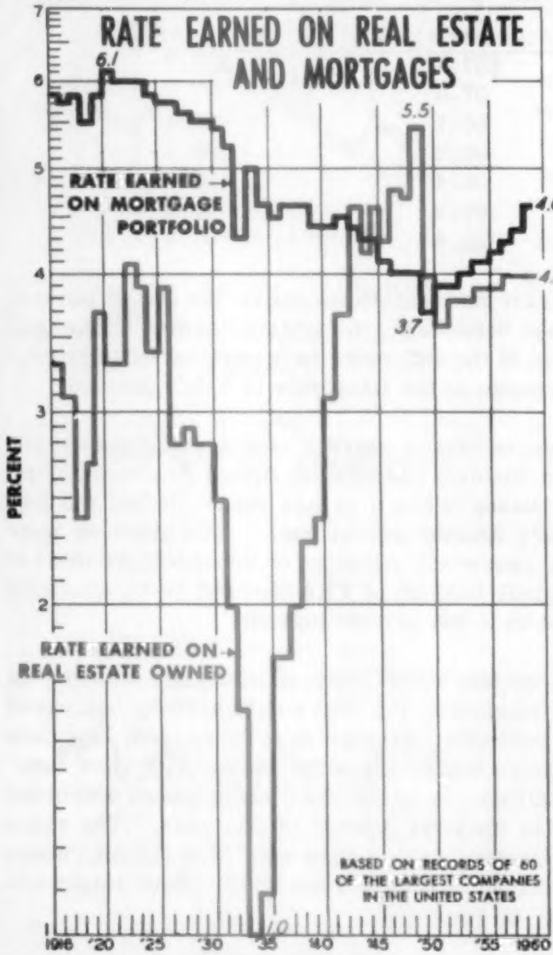
Another indication of the easing mortgage market is the reduction in the number of mortgages offered to the Federal National Mortgage Association and the reduction in the amount of purchases which it has made during the last three months through its secondary market operations. The chart on page 352 shows this decline. This is an important indicator of the mortgage market because, when money is tight, original holders of FHA-insured mortgages sell to FNMA since they cannot find buyers in the private market.

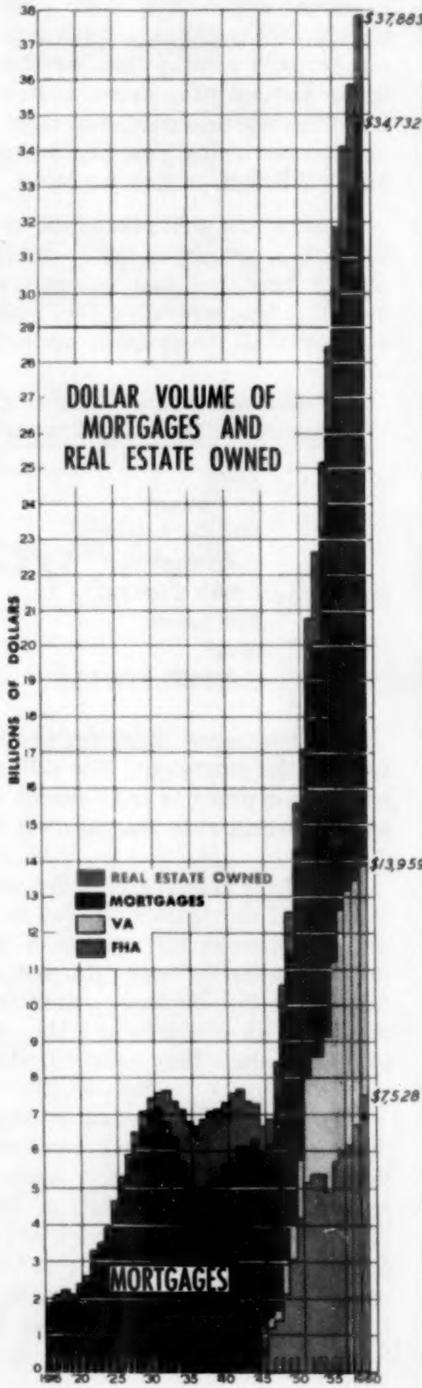
There have been two reasons for the availability of mortgage money. In the first place the lower level of construction and real estate activity has eased the demand for mortgage funds. Secondly, savings have increased, and thus have maintained the supply of mortgage funds. Construction activity, new family accommodations per 10,000 families, in cities of all sizes shows a decided drop from the last quarter of 1959 to the first quarter of this year. The value of new construction, seasonally adjusted, during June was $4.4 billion, about 1 percent below May 1960 and 5 percent less than June 1959. Real estate ac-

(cont. on page 352)

Life Insurance Companies As Mortgagees







LIFE COMPANIES' MORTGAGE EARNINGS

Year	REAL ESTATE OWNED* Amount	% of Assets	Rate Earned	REAL ESTATE MORTGAGES Amount	% of Assets	Rate Earned	GROSS ASSETS Amount
1912	$ 146,166,000	3.5	3.3	$ 1,379,939,000	33.3	5.5	$ 4,149,526,000
1913	121,937,000	2.8	2.9	1,499,309,000	34.2	5.5	4,383,429,000
1914	138,325,000	3.0	3.3	1,581,708,000	34.1	5.6	4,643,300,000
1915	137,311,000	2.8	3.1	1,645,885,000	33.8	5.7	4,874,996,000
1916	138,345,000	2.6	3.3	1,744,232,000	33.1	5.8	5,263,283,000
1917	150,396,000	2.7	3.1	1,863,282,000	33.3	5.7	5,595,618,000
1918	149,766,000	2.5	2.4	1,903,820,000	31.4	5.8	6,064,021,000
1919	135,409,000	2.1	2.7	1,909,279,000	30.1	5.5	6,352,990,000
1920	133,808,000	1.9	3.7	2,216,229,000	32.3	5.8	6,871,023,000
1921	144,252,000	2.0	4.3	2,420,470,000	33.5	6.1	7,229,795,000
1922	149,437,000	1.9	4.2	3,143,557,000	39.0	6.0	8,060,855,000
1923	157,922,000	1.8	4.1	3,303,878,000	37.7	6.0	8,765,533,000
1924	174,633,000	1.8	3.9	3,792,021,000	39.2	6.0	9,671,109,000
1925	189,181,000	1.8	3.4	4,359,155,000	40.7	5.8	10,705,786,000
1926	216,422,000	1.8	3.9	5,076,147,000	42.6	5.7	11,916,205,000
1927	252,857,000	1.9	2.8	5,669,244,000	42.8	5.7	13,261,266,000
1928	300,118,000	2.0	2.9	6,221,344,000	42.1	5.6	14,776,734,000
1929	344,446,000	2.1	2.8	6,752,645,000	41.7	5.5	16,205,703,000
1930	396,379,000	2.3	2.8	7,024,636,000	40.1	5.5	17,502,658,000
1931	522,291,000	2.8	2.5	7,125,832,000	38.1	5.4	18,720,503,000
1932	757,433,000	3.9	2.0	6,877,882,000	35.5	5.2	19,358,913,000
1933	1,120,377,000	5.7	1.6	6,350,391,000	32.2	4.3	19,747,417,000
1934	1,587,881,000	7.7	1.0	5,615,869,000	27.2	5.0	20,645,755,000
1935	1,773,813,000	8.1	1.1	5,074,726,000	23.1	4.6	21,996,046,000
1936	1,913,885,000	8.2	1.8	4,772,895,000	20.4	4.5	23,442,313,000
1937	1,951,971,000	7.9	1.8	4,856,604,000	19.6	4.6	24,838,002,000
1938	1,949,935,000	7.4	2.0	5,062,155,000	19.3	4.6	26,281,722,000
1939	1,915,011,000	6.8	2.3	5,272,315,000	18.7	4.6	28,134,150,000
1940	1,846,903,000	6.3	2.4	5,520,663,000	19.0	4.4	29,121,745,000
1941	1,660,668,000	5.4	3.1	5,890,776,000	19.3	4.4	30,513,433,000
1942	1,461,886,000	4.4	3.7	6,152,398,000	18.7	4.5	32,929,464,000
1943	1,181,140,000	3.2	4.6	6,129,855,000	16.7	4.4	36,783,584,000
1944	922,881,000	2.4	4.2	6,380,277,000	16.5	4.3	38,654,055,000
1945	717,500,000	1.7	4.6	5,952,461,000	14.3	4.3	41,728,006,000
1946	628,589,000	1.4	4.3	6,271,048,000	13.9	4.1	45,101,834,000
1947	756,902,000	1.5	4.8	7,678,416,000	15.5	4.0	49,490,072,000
1948	944,372,000	1.8	4.7	9,616,990,000	18.5	4.0	51,899,916,000
1949	1,121,878,000	2.0	5.5	11,457,589,000	20.7	4.0	55,428,963,000
1950	1,311,801,000	2.2	4.0	14,361,375,000	24.3	3.7	59,114,301,000
1951	1,471,960,000	2.3	3.6	15,604,016,000	24.7	3.9	63,234,623,000
1952	1,711,238,000	2.5	3.8	19,002,758,000	28.1	3.9	67,640,964,000
1953	1,801,267,000	2.5	3.8	20,811,296,000	28.9	4.0	72,128,202,000
1954	2,044,202,000	2.6	3.9	23,154,896,000	30.0	4.1	77,282,466,000
1955	2,259,165,000	2.7	3.9	26,172,635,000	31.8	4.1	82,399,207,000
1956	2,457,194,000	2.8	3.9	29,327,420,000	33.7	4.2	87,098,101,000
1957	2,717,298,000	3.0	4.0	31,303,645,000	34.1	4.3	91,811,741,000
1958	2,917,594,000	3.0	4.0	32,889,865,000	34.0	4.4	96,731,477,000
1959	3,151,038,000	3.1	4.0	34,732,130,000	34.3	4.6	101,271,690,000

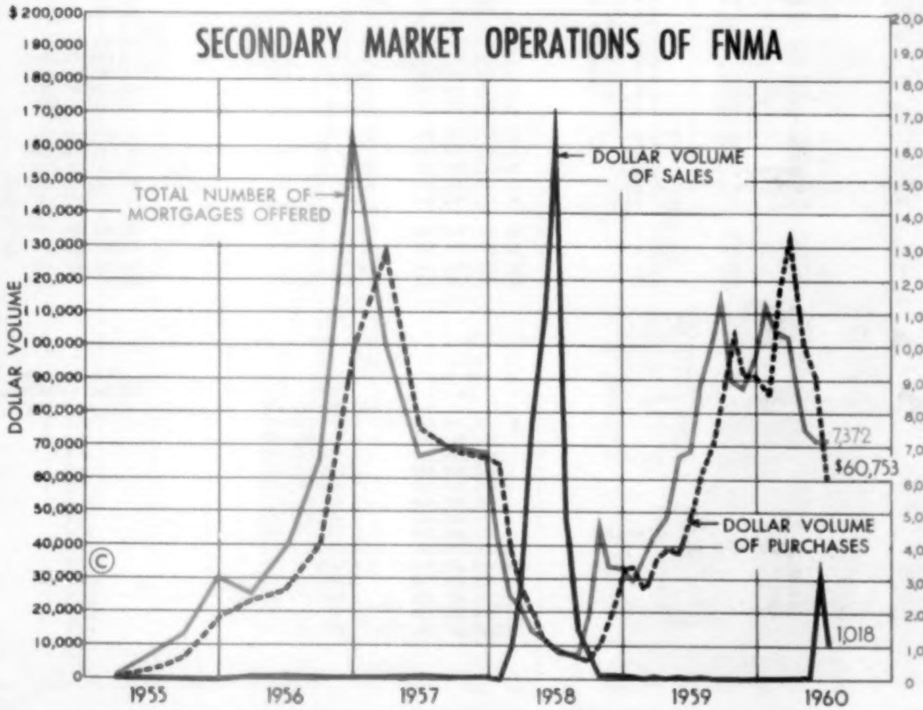
*Includes home office buildings.

Year	Government Bonds	% Assets	VA	FHA	% of Assets in FHA and VA Mortgages
1945	$19,548,581,000	46.8		$1,220,831,000	2.9
1946	20,533,663,000	45.5	$ 26,654,000	1,105,227,000	2.5
1947	18,902,492,000	38.2	201,261,000	1,364,626,000	3.2
1948	15,737,902,000	30.3	935,296,000	2,078,643,000	5.8
1949	14,288,446,000	25.8	1,012,816,000	3,003,274,000	7.2
1950	12,492,725,000	21.1	1,677,231,000	4,149,246,000	9.9
1951	10,098,407,000	16.0	2,887,850,000	4,702,058,000	12.0
1952	9,295,443,000	13.7	3,058,619,000	5,087,339,000	12.0
1953	8,850,262,000	12.3	3,233,358,000	5,390,993,000	12.0
1954	8,124,294,000	10.5	4,290,506,000	4,821,371,000	11.8
1955	7,597,493,000	9.2	5,550,554,000	5,709,514,000	13.7
1956	6,493,810,000	7.5	6,684,885,000	6,004,700,000	14.6
1957	6,078,649,000	6.6	7,065,451,000	6,131,479,000	14.4
1958	6,232,979,000	6.4	6,768,578,000	6,765,023,000	14.0
1959	5,878,234,000	5.8	6,430,980,000	7,528,141,000	13.8

(cont. from page 349)
tivity, the number of voluntary transfers per 10,000 families, decreased each month from November 1959 to April 1960, at which time the trend seems to have reversed. Both May and June show a greater than seasonal increase in real estate activity (see table on page 354).

The increase in savings is shown by the net savings inflow to savings and loan associations. During the first five months of 1960 net new savings increased $2.4 billion, an increase of 5.6 percent over the same period last year. On the other hand, savings and loan lending activity, dollars of loans made, decreased 9.5 percent during the first five months of 1960 compared with the same months of 1959.

The tables and charts on pages 350 and 351 show another trend that is helping the mortgage market. Since 1946, the sixty largest insurance companies have been allocating an increasing share of their funds to mortgages. In 1946, mortgage investment constituted only 14 percent of total assets. In 1959, however, the mortgage share had increased to 34 percent. Total assets, however, more than doubled from $45.1 billion in 1946 to $101.3 billion in 1959, so that the mortgage market not only received an increased share of the insurance investment, but an increased share of a bigger pie. This trend has continued during 1960. The Wall Street Journal report of investments by 33 major life insurance companies shows a 14 percent increase in their mortgage investments during the first six months of 1960.



INCREASES IN BUILDING COSTS SINCE 1939

St. Louis
July 1960

SIX-ROOM BRICK HOUSE (FRAME INTERIOR)*
Content: 23,100 cubic feet
1,520 square feet
Cost 1939: $ 6,400
(27.7¢ per cubic foot; $ 4.21 per square foot)
Cost today: $20,483
(88.7¢ per cubic foot; $13.48 per square foot)
INCREASE OVER 1939 = 220.0%

FIVE-ROOM BRICK VENEER HOUSE*
Content: 24,910 cubic feet
1,165 square feet
Cost 1939: $ 5,440
(21.8¢ per cubic foot; $ 4.67 per square foot)
Cost today: $17,372
(69.7¢ per cubic foot; $14.91 per square foot)
INCREASE OVER 1939 = 219.3%

SIX-ROOM FRAME HOUSE*
Content: 24,288 cubic feet
1,650 square feet
Cost 1939: $ 5,671
(23.4¢ per cubic foot; $ 3.44 per square foot)
Cost today: $19,240
(79.2¢ per cubic foot; $11.66 per square foot)
INCREASE OVER 1939 = 239.3%

6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT
Content: 12,119 cubic feet
992 square feet
Cost 1939: $ 3,392
(28.0¢ per cubic foot; $ 3.42 per square foot)
Cost today: $10,923
(90.1¢ per cubic foot; $11.01 per square foot)
INCREASE OVER 1939 = 222.0%

STANDARD BRICK RANCH HOUSE
Content: 16,250 cubic feet
840 square feet
Attached garage - 200 square feet
Without garage - $13,561
(83.5¢ per cubic foot; $16.14 per square foot)
Garage - $1,046
($5.23 per square foot)

CONTEMPORARY FRAME RANCH HOUSE
(Dry Wall)
Content: 12,285 cubic feet
1,170 square feet
Carport - 320 square feet
Without carport - $14,048
($1.14 per cubic foot; $12.01 per square foot)
Carport - $656
($2.05 per square foot)

*Costs include full basement.

ROY WENZLICK INDICATORS OF THE REAL ESTATE MARKET

	REAL ESTATE ACTIVITY Number of Voluntary Real Estate Transfers per 10,000 Families	MORTGAGE ACTIVITY Number of Mortgages Recorded per 10,000 Families	CONSTRUCTION ACTIVITY New Family Accommodations per 10,000 Families by City Size (in thousands)			
			1,000+	500-1,000	250-500	50-250
Jn 1959	83.5	72.1	20.1	29.6	25.2	20.4
Jl 1959	85.6	72.7	22.0	27.0	24.0	19.7
Ag 1959	83.6	71.7	19.6	28.9	24.7	17.7
S 1959	83.3	70.9	17.7	28.1	22.6	18.2
O 1959	80.1	67.2	18.1	24.1	20.6	16.7
N 1959	80.5	66.0	17.1	23.1	21.7	17.7
D 1959	80.4	65.7	20.6	27.8	25.6	20.7
Ja 1960	78.0	63.5	15.2	22.3	16.2	15.2
F 1960	77.5	65.0	16.2	18.9	18.3	15.4
Mr 1960	74.1	63.5	12.5	20.0	17.2	15.1
Ap 1960	73.7	63.9				
My 1960	74.6	62.4				
Jn 1960	75.2	63.2				

	REAL ESTATE SELLING PRICE 1947-49 = 100	AVERAGE INTEREST RATE RECORDED MORTGAGES IN 11 MAJOR CITIES OF THE UNITED STATES	RENTS 1921-38 = 100	COST -- TWO-STORY SIX-ROOM FRAME HOUSE (St. Louis)
Jn 1959	129.8	5.681	126.1	$19,132
Jl 1959	129.4	5.692	126.2	19,141
Ag 1959	129.3	5.720	126.3	19,157
S 1959	129.3	5.787	126.5	19,157
O 1959	130.1	5.908	126.7	19,204
N 1959	130.5	5.974	126.9	19,578
D 1959	131.0	6.027	127.2	19,578
Ja 1960	131.2	6.099	127.3	19,607
F 1960	131.3	6.156	127.4	19,609
Mr 1960	131.3	6.154	127.5	19,595
Ap 1960	131.4	6.170	127.7	19,443
My 1960	131.4	6.189	127.9	19,244
Jn 1960		6.209	128.1	19,243
Jl 1960				19,240